

## **Estimate of Global income gains from Uruguay Round and the NAFTA**

1. Recent studies of some potential Uruguay Round benefits estimate that the annual global income could rise \$171 billion to \$214 billion upon full implementation, in 1992 dollars; for the U.S. alone, the gains could amount to \$27 billion to \$37 billion each year.<sup>1</sup> Scaling these benefits up to the size of the economy in 2000 yields a range of between \$42 billion and \$58 billion. Per average household of four, this translates into a per year income gain of \$600 to over \$800.
2. A number of formal mathematical studies of the North American Free Trade Agreement found that the NAFTA, when fully implemented, would raise U.S. GDP by between 0.1% and 0.5%.<sup>2</sup> Relative to the size of the economy in 2000, these estimates suggest an income gain of between \$10 billion and \$50 billion. Per average household of four, this translates into a per year income gain of \$140 to \$720.
3. These studies of Uruguay Round and NAFTA benefits understate the gains from trade because of high product aggregation, incomplete accounting of the growth effects of trade and the inability to measure the effects of many non-tariff measures, rules changes and trade in services.

## **Uruguay Round and NAFTA/CFTA as Tax Cuts<sup>3</sup>**

4. Uruguay Round: Had pre-Uruguay Round tariff rates been applied to 1999 U.S. imports, duty collections would have an estimated \$21.4 billion higher. The Uruguay Round tariff cuts were thus similar to a \$310 tax cut for an average household of four.
5. NAFTA/CFTA (U.S.-Canada Free Trade Agreement): Had NAFTA/CFTA tariff rates been applied to 1999 U.S. imports, duty collections would have an estimated \$ 14.2 billion higher. The NAFTA/CFTA tariff cuts were thus similar to a \$210 tax cut for an average household of four.

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<sup>1</sup>Council of Economic Advisers, "America's Interest in the World Trade Organization: An Economic Assessment," November 1999.

<sup>2</sup>President's Report on the three year review of NAFTA, "Study on the Operation and Effects of the North American Free Trade Agreement" July 1997. This report reviews many studies including USITC Publication, "Economy-wide Modeling of the Economic Implications of an FTA with Mexico and a NAFTA with Canada and Mexico," May 1992.

<sup>3</sup>For both Uruguay Round and NAFTA calculations: Internal USTR calculation comparing pre- and post- tariff rates for Uruguay Round as reported by the World Bank in "The Uruguay Round Statistics on Tariff Concessions Given and Received," J. Michael Finger, Merlinda D. Ingco, and Ulrich Reincke. Tariff rates were applied to relevant volumes of trade in 1999.

### **Summing Income Gains and Tax Cuts**

6. Households enjoy higher income from both the increase in the national income as well as a reduction in taxes. Adding the estimated income gains and tax cuts reported above yields the following annual benefits per average family of four:
  - Uruguay alone: \$910 to \$1,110;
  - NAFTA alone: \$350 to \$930;
  - Uruguay Round and NAFTA combined: \$1,260 to \$2,040.